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C O N F I D E N T I A L SECTION 01 OF 03 BEIRUT 001138

SIPDIS

DEPT FOR NEA/FO, NEA/ELA;
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SUBJECT: LEBANON: MINISTER OF ECONOMY ON ELECTIONS; WTO
ACCESSION

REF: BEIRUT 1104

Classified By: Charge d'Affaires a.i. William Grant for reasons 1.4 (b)
and (d).

SUMMARY

1. (C) In an August 4 courtesy call by Charge, Lebanese Minister of Economy and Trade Mohammad Safadi shared his assessment of the GOL's ministerial statement as "the best possible outcome" and that the National Dialogue should be the next focal point for political decisions. Safadi, a Sunni member of the March 14 coalition, added that the 2009 parliamentary elections will be crucial and the majority March 14 coalition "should not take anything for granted", including the Sunni vote. He reported that the need for March 14 senior leaders to communicate better to others in the coalition, including himself, was a theme of a "clear the air" meeting that March 14 held the day before. Safadi says he cannot blame the Lebanese Armed Forces (LAF) for their initial reticence to intervene in recent clashes in his home city of Tripoli.

2. (C) On Lebanon's bid to join the WTO, an aide to Safadi confirmed that the discussions and technical changes to Lebanese law were on track. However, Safadi was concerned that the GOL needs to further develop a "phase-out" plan for non-competitive industries, rather than shut them down abruptly, before any agreement is signed. Finally, Safadi predicted that the "time is too short" to tackle any serious problems in the government before the next elections, but the extent of any work completed depends upon the individual ministers and their ministries. End summary.

NOW THE HARD PART:
THE NATIONAL DIALOGUE

3. (C) In an August 4 courtesy call, Minister of Economy and Trade Mohammad Safadi, accompanied by his advisor Antoine Constantine and another ministry aide, told Charge Grant, accompanied by poloff, that the text of the ministerial statement agreed August 1 was "the best possible outcome." Echoing the sentiments of other majority March 14 members, Safadi believes the ministerial statement can be interpreted in many ways, but said March 14 was happy with it. Safadi expects the cabinet and the parliament will pass the

ministerial statement in the coming days.

¶4. (C) The toughest issues to resolve -- the idea of "resistance" and Hizballah's arms -- will now be taken up during the National Dialogue to be led by President Sleiman. Safadi said he advised Sleiman's aides that the National Dialogue focus on the National Defense Strategy first, before becoming bogged down in other economic or social issues. In his view, the immediate concern of Lebanese citizens is the status of Hizballah. Safadi believes that the National Dialogue will begin soon after President Sleiman concludes his visit to Damascus.

MARCH 14 AND THE 2009 ELECTIONS

¶5. (C) Safadi is a March 14 holdover from the previous cabinet, where he had the Public Works and Transportation portfolio. He is a Sunni from Tripoli who heads a five-member bloc of MPs. While part of March 14, he maintains his independence from other March 14 Sunni leaders Saad Hariri and PM Fouad Siniora. Asked whether the mood of the ministers was better or worse now in the post-Doha Accord period, Safadi said only that "everyone is focused on the (2009) elections" and that it "will not be an easy ride." He called the March 14 meeting of the day before an "opening stage" to improved March 14 unity. According to him, much self-criticism was expressed, as well as concerns about the lack of communication and coordination among March 14 members. All parties, he said, called for more meetings, more regularly, to keep March 14 on the same message.

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¶6. (C) Safadi assessed that March 14 needs to approach the 2009 parliamentary elections as one "uniting election for March 14," rather than as an election focused on specific districts. Addressing the conventional wisdom that the Christian areas will be competitive and Muslim areas will not, he said March 14 cannot take anything for granted, including in the Sunni areas.

¶7. (C) The concept of "the rule of the majority" has been corrupted by recent events, Safadi said, referring to the difficulties the March 14 majority had in exercising its power. He believes the 2009 elections will provide a clear demarcation between the two sides (i.e. majority vs. minority). Furthermore, March 14 needs to be prepared to make unified decisions for the election. Safadi further commented that the opposition would have no trouble keeping the influence of the majority if it were to win the elections.

TRIPOLI: THE SITUATION IS MORE SERIOUS THAN IT APPEARS

¶8. (C) Safadi, discussing his native Tripoli, cautioned that the intermittent fighting between local Shia and Alawite groups there was more serious than it appears. He believes the purpose behind the incidents was to embarrass Syria and draw it into the conflict, in addition to exposing supporters of Salafi ideology in Tripoli. Although the situation is currently under control, maintaining the peace will require continued engagement from the Lebanese Armed Forces (LAF) and the Internal Security Forces (ISF), in his view.

¶9. (C) Safadi says he does not blame the LAF for not intervening sooner in the conflict, as the LAF must have "very clear instructions" before they act, but says that it was important to the people of Tripoli that the LAF acted to avert "intense suffering" (reftel). He thought any perceived reluctance by the LAF might be related to the negative experience of earlier this year, when the LAF intervened in a dispute in Beirut between Shia and Christian groups, and seven Shia were killed, apparently by LAF fire. Safadi also

credits Tripoli Mufti Sheikh Malek Shaar for successfully mediating between the factions.

LEBANON AND THE WTO

¶10. (C) Safadi relied on his aide to update Charge on the GOL's progress in meeting its WTO accession targets. She informed us that the GOL submitted its sixth round of questions and answers to the WTO secretariat at the end of May, but had not heard a response. Additionally, the GOL had requested a working session occur in October, but it is unclear whether the GOL will have sufficient time to prepare for it. The Ministry of Economy and Trade, according to Safadi's aide, in cooperation with USAID, is preparing to offer education and training sessions to Members of Parliament (MPs) so that they better understand the technical aspects of the proposed laws that meet WTO guidelines, before voting on them.

¶11. (C) She commented that the GOL had made significant progress on its multilateral track negotiations, but problems remained in the bilateral track, particularly in the industrial and agricultural sectors. The GOL is awaiting a shortened, revised list of key products whose tariff rate would be zero because the number of products on the initial list would generate an unsustainable revenue loss for the GOL, according to the ministry.

¶12. (C) Safadi was most concerned about the creation of a "phase-out" plan for non-competitive industries and said that the GOL, to date, "had failed" in this area and more work needs to be done. Safadi did not believe that there would be instinctive resistance to Lebanon joining the WTO on the part of MPs; rather, he believes, the MPs would follow the opinions of their business and agricultural constituents.

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MAJOR PROBLEMS WILL HAVE TO WAIT

¶13. (C) Safadi assessed the time between the start of this new government and the 2009 elections is "too short" to expect any significant progress on major issues in Lebanon. Safadi believes that however much will be accomplished is directly related to the individual ministers and which ministries they head. Without hubris, Safadi said "I am a working guy, so I will work", but he was not sure about some of the other ministers.

GRANT